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Jiumaojiu International Holdings Limited

九毛九国际控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9922)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Jiumaojiu International Holdings Limited (九毛九国际控股有限公司) (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended December 31, 2022, together with comparative figures for the year ended December 31, 2021.

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group.

KEY FINANCIAL HIGHLIGHTS

	For the year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4,005,722	4,179,704
Store level operating profit ⁽¹⁾	516,578	809,297
Profit before taxation	94,331	505,920
Profit for the year	55,610	372,153
Profit for the year attributable to equity Shareholders of the Company	49,280	339,936
Adjusted net profit ⁽²⁾	69,343	380,427
Final dividend proposed after the end of the year	12,795	70,968

Notes:

- (1) We define store level operating profit as revenue for the year deducting the following expenses at store level: (i) raw materials and consumables used, (ii) staff costs, (iii) depreciation of right-of-use assets, (iv) other rentals and related expenses, (v) depreciation and amortization of other assets, (vi) utility expenses, (vii) advertising and promotion expenses and (viii) other expenses, excluding unallocated headquarter expenses.
- (2) We define adjusted net profit as profit for the year adding equity-settled share-based payment expenses, which are non-recurring charges.

KEY OPERATIONAL HIGHLIGHTS

	As of/for the year ended December 31,	
	2022	2021
Number of restaurants⁽¹⁾	556	470
Seat turnover rate⁽²⁾		
Jiu Mao Jiu	1.6	1.9
Tai Er	2.6	3.4
Table turnover rate⁽³⁾		
Jiu Mao Jiu	2.4	2.8
Tai Er	3.5	4.4
Average spending per customer (RMB)⁽⁴⁾		
Jiu Mao Jiu	55	59
Tai Er	77	80
Same store sales (RMB'000)⁽⁵⁾		
Jiu Mao Jiu	528,133	593,494
Tai Er	1,969,093	2,535,637
Same store sales growth (%)		
Jiu Mao Jiu	(11.0)	24.5
Tai Er	(22.3)	5.7

Notes:

- (1) Including both self-operated and franchised restaurants. As of December 31, 2022, all restaurants of the Group were self-operated restaurants.
- (2) Calculated by dividing total customer traffic by the product of total restaurant operation days and average seat count during the year.
- (3) Calculated by dividing total tables served by the product of total restaurant operation days and average table count during the year.
- (4) Calculated by dividing revenue generated from restaurant operations for the year by total customer traffic for the year.
- (5) Same store sales for the year refers to the revenue of all restaurants that qualified as same stores during that year. We define our same store base to be those restaurants that opened for at least 300 days in both 2021 and 2022.

BUSINESS REVIEW AND OUTLOOK

Overview

In the year of 2022, we adhered to our multi-brand and multi-concept strategy and explored new business opportunities, aiming to further expand our market share and maintain our market position as a leading Chinese cuisine restaurant brand manager and operator in the People's Republic of China (“**PRC**”). We accelerated the expansion of our restaurant network amid the resurgence of the novel coronavirus COVID-19 (the “**Pandemic**”). As of December 31, 2022, we operated 556 restaurants, covering 109 cities in the PRC, one city in Canada and Singapore.

We strived to maintain an optimal portfolio of restaurant brands and focus on brands which we believe to have greater growth potential. To this end, we disposed the Double Eggs brand in June 2022 taking into account its future growth potential. We will continue to devote more resources to our Song Hot Pot (嚕火鍋) brand and Lai Mei Li Grilled Fish (賴美麗烤魚) brand.

In view of the continuing impact of the Pandemic, our revenue decreased by 4.2% from RMB4,179.7 million for the year ended December 31, 2021 to RMB4,005.7 million for the year ended December 31, 2022, and our profit decreased by 85.1% from RMB372.2 million for the year ended December 31, 2021 to RMB55.6 million for the year ended December 31, 2022.

The Impact of the Pandemic

Whilst the business operation of substantially all of our existing restaurants was severely affected due to the resurgence of the Pandemic, it has gradually recovered from the Pandemic by the end of 2022, especially after the dismantlement of “zero-COVID control measures” by the PRC government authorities in December 2022. Due to the resurgence of the Pandemic infected cases and multiple rounds of lockdowns of various scales in a number of major cities in the PRC in 2022, the operation or dine-in services of certain of our restaurants was temporarily suspended for an average of 38 days during 2022. The estimated loss of revenue resulted from the temporary suspension of our restaurant operations or dine-in services in 2022 amounted to approximately RMB1,366.6 million.

We have been closely reviewing the performance of our restaurants and adjusting our business strategies from time to time to mitigate the impact of the Pandemic on our business operations and prepare for post-Pandemic business recovery. Despite the stabilization of the Pandemic, there remains uncertainties regarding the future impact of the Pandemic, including, among other things, how consumer dine-out behavior may be affected, and the possible reemergence of the Pandemic and the measures and policies that may be put in place as a result, which may impose potential adverse effect on our results of operations, cash flows and financial condition going forward. Nevertheless, following the relaxation of Pandemic prevention measures both globally and specifically in the PRC, we are cautiously optimistic in our operations in the next few years as we expect the economy will recover gradually and that there will be a growth on dining-out activities in 2023. Looking ahead, we will seize the opportunity as the Pandemic prevention measures are relaxed, constantly monitor market changes and adapt to the changes of demand and consumer behaviour in the post-Pandemic era.

Our Directors believe that our liquidity position remains healthy and we possess sufficient cash and banking facilities available to meet our commitments and working capital requirements. For details, see “—Management Discussion and Analysis—Liquidity, Capital Resources and Gearing.”

2022 Business and Financial Performance Review

Restaurant network

In 2022, we opened 120 new restaurants, which comprise 102 Tai Er restaurants and 18 Song Hot Pot restaurants. Among our restaurants, ten self-operated restaurants were closed in 2022, primarily due to (i) the termination of the relevant lease agreements and (ii) their underperformance based on our evaluation. In addition, seven self-operated Double Eggs restaurants and 15 franchised Double Eggs restaurants were removed from our restaurant network following the disposal of our Double Eggs brand in June 2022.

The table below sets forth a breakdown of our restaurants by brand as of the dates indicated:

	As of December 31,	
	2022	2021
Number of restaurants		
Jiu Mao Jiu	76	83
Tai Er	450	350
Double Eggs (self-operated) ⁽¹⁾	–	8
Double Eggs (franchised) ⁽¹⁾	–	17
Song Hot Pot	27	9
Uncle Chef	1	1
Lai Mei Li Grilled Fish	2	2
Total	556	470

Note:

(1) The Double Eggs brand had been disposed in June 2022.

Restaurant performance

The table below sets forth the key performance indicators of our restaurants by brand for the years indicated:

	For the year ended December 31,	
	2022	2021
Revenue (RMB'000)		
Jiu Mao Jiu	604,752	758,756
Tai Er	3,098,041	3,285,180
Double Eggs (self-operated) ⁽¹⁾	3,826	12,608
Double Eggs (franchised) ⁽¹⁾	4,963	16,399
Song (cold pot skewers) ⁽²⁾	–	2,232
Song Hot Pot	259,402	87,405
Uncle Chef	12,339	12,402
Lai Mei Li Grilled Fish	12,799	3,152
Seat turnover rate⁽³⁾		
Jiu Mao Jiu	1.6	1.9
Tai Er	2.6	3.4
Song Hot Pot	2.5	2.5
Uncle Chef	2.0	1.7
Lai Mei Li Grilled Fish	2.7	2.4
Table turnover rate⁽⁴⁾		
Jiu Mao Jiu	2.4	2.8
Tai Er	3.5	4.4
Song Hot Pot	3.6	3.5
Uncle Chef	2.5	2.1
Lai Mei Li Grilled Fish	3.7	3.2
Average spending per customer⁽⁵⁾ (RMB)		
Jiu Mao Jiu	55	59
Tai Er	77	80
Song Hot Pot	128	129
Uncle Chef	148	144
Lai Mei Li Grilled Fish	77	84

Notes:

- (1) The Double Eggs brand had been disposed in June 2022. Restaurant performance for franchised Double Eggs restaurants is shown for reference only. Revenue generated by franchised Double Eggs restaurants as shown in the table above does not represent the Group's revenue recognized from these restaurants. Our revenue recognized from these restaurants is contributed from fees we charge our franchisees in accordance with the relative franchise agreements.
- (2) We ceased to operate the Song (cold pot skewers) brand permanently in November 2021.
- (3) Calculated by dividing total customer traffic by the product of total restaurant operation days and average seat count during the year.
- (4) Calculated by dividing total tables served by the product of total restaurant operation days and average table count during the year.
- (5) Calculated by dividing revenue generated from restaurant operations for the year by total customer traffic for the year.

Restaurant performance of our brands was negatively affected due to the resurgence of the Pandemic and the prevention and control measures being put in place to curb the surge in infected cases, such as nation-wide suspension or restriction for varying duration of dine-in services of certain restaurants, and multiple rounds of lockdowns of various scales in different PRC cities.

Same store sales

The table below sets forth details of our same store sales by brand for the years indicated.

	For the year ended December 31,			
	2022	2021	2021	2020
Number of same store⁽¹⁾				
Jiu Mao Jiu	70		39	
Tai Er	225		124	
Song Hot Pot	2		–	
Uncle Chef	1		–	
Same store sales⁽²⁾ (RMB'000)				
Jiu Mao Jiu	528,133	593,494	370,120	297,391
Tai Er	1,969,093	2,535,637	1,553,558	1,470,215
Song Hot Pot	40,528	38,102	–	–
Uncle Chef	12,339	12,402	–	–
Same store sales growth (%)				
Jiu Mao Jiu	(11.0)		24.5	
Tai Er	(22.3)		5.7	
Song Hot Pot	6.4		–	
Uncle Chef	(0.5)		–	

Notes:

- (1) We define our same store base to be those restaurants that opened for at least 300 days in both 2020 and 2021, and in both 2021 and 2022. Figures for Uncle Chef and Song Hot Pot in 2020 and 2021 are not available since there was no restaurant opened for more than 300 days in 2020.
- (2) Same store sales for the year refer to the revenue of all restaurants that qualified as same stores during that year.

Outlook for 2023

We remain fully devoted to providing marvelous dining experience to our customers through exquisite dishes, high-quality services and unique dining ambience, and with a view to maintaining a strong market position and enhancing our competitiveness, we will continue to implement the following growth strategies:

- ***Replicate our success through further expansion.*** We have been closely monitoring the development of the Pandemic in the PRC and adjusting the timeline of our restaurant network expansion plan for different brands as and when appropriate. We have fulfilled our restaurant network expansion plan for Tai Er as set out in the prospectus (the “**Prospectus**”) of the Company dated December 30, 2019. We have been closely following the dining trend and preference of customers and introduced two new brands, namely Song Hot Pot in 2020 and Lai Mei Li Grilled Fish in 2021, to expand our brand portfolio. On the other hand, taking into account the future growth potential of the Double Eggs brand, we disposed the Double Eggs brand in the first half of 2022 in order to maintain an optimal portfolio of restaurant brands and focus on brands which we believe to have greater growth potential.
- ***Continue to expand into more market segments by pursuing a multi-brand and multi-concept strategy.*** We plan to further promote the brand image and recognition of Tai Er as it has achieved higher operating profits compared with our other brands. We will continue to develop our Song Hot Pot and Lai Mei Li Grilled Fish brands which we believe have great growth potentials. We will also invest in companies in the catering service industry. We intend to identify targets which adopt innovative business models and possess development and growth potential, or whose business models can create synergies with our business and fit into our multi-brand development strategy. We currently have not yet identified any potential target. We believe our multi-brand and multi-concept strategy allows us to further expand into more market segments, capture market opportunities, broaden our customer base and ultimately increase our market share. The collaboration with various young and innovative brands would enable us to stay attuned to market trends. We will keep exploring potential opportunities and may further adjust our brand portfolio to maintain our competitive advantage.
- ***Continue to strengthen our supply chain and support capabilities.*** In 2020, we rented a new warehouse near our central kitchen in Foshan to take up inventories originally stored in the original warehouse (“**First Warehouse**”) of our Foshan central kitchen. This freed up space in the First Warehouse, thereby enabling us to install additional equipment and convert the First Warehouse into a food processing center to expand our production lines, increase our production capacity, and enhance our supply chain capabilities in support of our future expansion plan. We have also commenced the construction of our new supply chain centers in Southern China and Northern China, and a production plant of hot pot base and compound condiments and a central kitchen in Southwest China, to enhance our supply chain capabilities in support of our future expansion plan. To facilitate our production capacity improvement plan, we have a preliminary idea to construct an additional central kitchen in Eastern China to better support the restaurant network expansion in that region, which will be subject to further discussion by the Board and our senior management. In addition, we will continue our cooperation with suppliers of our key ingredients by way of joint ventures or other means to secure stable supply of key ingredients.
- ***Expand into the global markets to gain international presence.*** We currently operate Tai Er restaurants in Canada and Singapore. We will continue to carry out comprehensive research into potential overseas target markets and carefully evaluate and select appropriate locations for our expansion to gain international presence. We will prioritize countries and cities with high population of Chinese people, such as North America, Southeast Asia, Oceania, and other Chinese communities, for our future expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue decreased slightly by 4.2% from RMB4,179.7 million for the year ended December 31, 2021 to RMB4,005.7 million for the same period in 2022.

Revenue by brand

We generate revenue from three segments classified by brands, including Jiu Mao Jiu, Tai Er and all other brands. The following table sets forth a breakdown of our revenue by brand for the years indicated:

	For the year ended December 31,			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Jiu Mao Jiu	605,511	15.1	760,462	18.2
Tai Er	3,108,328	77.6	3,292,184	78.8
Others	291,883	7.3	127,058	3.0
Total	<u>4,005,722</u>	<u>100.0</u>	<u>4,179,704</u>	<u>100.0</u>

Our revenue from Jiu Mao Jiu decreased by 20.4% from RMB760.5 million for the year ended December 31, 2021 to RMB605.5 million for the same period in 2022 primarily due to a decrease in the number of Jiu Mao Jiu restaurants and a decrease in overall customer traffic attributable to the reemergence of the Pandemic in 2022. Our revenue from Jiu Mao Jiu as a percentage of total revenue decreased from 18.2% in 2021 to 15.1% in 2022, primarily due to the expansion of our other brands.

Our revenue from Tai Er decreased slightly by 5.6% from RMB3,292.2 million for the year ended December 31, 2021 to RMB3,108.3 million for the same period in 2022 primarily due to a decrease in overall customer traffic attributable to the reemergence of the Pandemic in 2022, partially offset by the expansion of restaurant network of Tai Er. As a result, our revenue from Tai Er as a percentage of total revenue decreased slightly from 78.8% in 2021 to 77.6% in 2022.

Our revenue from other brands increased by 129.7% from RMB127.1 million for the year ended December 31, 2021 to RMB291.9 million for the same period in 2022 primarily due to an increase in revenue contribution from Song Hot Pot attributable to its restaurant network expansion. As a result, revenue from other brands as a percentage of total revenue increased from 3.0% in 2021 to 7.3% in 2022.

Revenue by service line

Services provided by us or activities we engage in comprise (i) restaurant operations, (ii) delivery business, (iii) sales of specialties and (iv) others including franchising before the disposal of our Double Eggs brand and the management and operation of Machang Restaurant before its deregistration. The following table sets forth a breakdown of our revenue from each service line for the years indicated:

	For the year ended December 31,			
	2022		2021	
	RMB'000	%	RMB'000	%
Restaurant operations	3,203,210	80.0	3,524,424	84.3
Delivery business	787,114	19.7	621,506	14.9
Sales of specialties	1,478	0.0	15,855	0.4
Others ⁽¹⁾	13,920	0.3	17,919	0.4
Total	4,005,722	100.0	4,179,704	100.0

Note:

(1) The Group no longer generated revenue from franchising following the disposal of Guangzhou Double Eggs Catering Co., Ltd., or the management and operation of Machang Restaurant following its deregistration. See “– Material Acquisitions, Disposals and Future Plans for Major Investment” for details.

Revenue from restaurant operations decreased by 9.1% from RMB3,524.4 million for the year ended December 31, 2021 to RMB3,203.2 million for the same period in 2022, primarily due to the reemergence of the Pandemic in several provinces in the PRC, leading to a decrease in total restaurant operation days in 2022. As a result, revenue from restaurant operations as a percentage of total revenue decreased from 84.3% for the year ended December 31, 2021 to 80.0% for the same period in 2022.

Revenue from delivery business increased by 26.6% from RMB621.5 million for the year ended December 31, 2021 to RMB787.1 million for the same period in 2022, primarily due to the increased customer demand on delivery services in view of the reemergence of the Pandemic. Revenue from our delivery business as a percentage of total revenue increased from 14.9% for the year ended December 31, 2021 to 19.7% for the same period in 2022.

Revenue from sales of specialties decreased by 90.7% from RMB15.9 million for the year ended December 31, 2021 to RMB1.5 million for the same period in 2022, primarily due to a decrease in overall customer traffic as a result of the reemergence of the Pandemic. As a result, revenue from sales of specialties as a percentage of total revenue decreased from 0.4% for the year ended December 31, 2021 to 0.0% for the year ended December 31, 2022.

Revenue from others decreased by 22.3% from RMB17.9 million for the year ended December 31, 2021 to RMB13.9 million for the same period in 2022, primarily due to a decrease in revenue from the franchised Double Eggs restaurants following the disposal of Double Eggs brand, and from the management and operation of Machang Restaurant following its deregistration. Revenue from others as a percentage of total revenue decreased from 0.4% for the year ended December 31, 2021 to 0.3% for the same period in 2022.

Other Revenue

Our other revenue increased by 11.1% from RMB64.2 million for the year ended December 31, 2021 to RMB71.3 million for the same period in 2022 primarily due to (i) an increase in interest income on bank deposits attributable to the increased interest rates, and (ii) an increase in government grants.

Raw Materials and Consumables Used

Our raw materials and consumables used decreased slightly by 5.9% from RMB1,537.4 million for the year ended December 31, 2021 to RMB1,447.1 million for the same period in 2022 primarily in line with the decrease in revenue as a result of the reemergence of the Pandemic. Our raw materials and consumables used as a percentage of revenue remained relatively stable at 36.8% and 36.1% for the years ended December 31, 2021 and 2022, respectively.

Staff Costs

Our staff costs increased by 7.3% from RMB1,056.9 million for the year ended December 31, 2021 to RMB1,133.9 million for the same period in 2022 primarily due to an increase in the number of our store level employees as a result of our restaurant network expansion. Our staff costs as a percentage of revenue increased from 25.3% for the year ended December 31, 2021 to 28.3% for the same period in 2022, primarily due to the decrease in same store sales as a result of the reemergence of the Pandemic.

Depreciation of Right-of-use Assets

Depreciation of right-of-use assets increased by 17.7% from RMB342.5 million for the year ended December 31, 2021 to RMB403.0 million for the same period in 2022 primarily due to an increase in the number of our restaurants. Depreciation of right-of-use assets as a percentage of revenue increased from 8.2% for the year ended December 31, 2021 to 10.1% for the same period in 2022, primarily due to the decrease in our total revenue.

Other Rentals and Related Expenses

Our other rentals and related expenses decreased by 14.1% from RMB96.9 million for the year ended December 31, 2021 to RMB83.2 million for the same period in 2022 primarily due to a decrease in variable rent payment as a result of a decrease in revenue attributable to the reemergence of the Pandemic. Our other rentals and related expenses as a percentage of revenue remained relatively stable at 2.3% and 2.1% for the years ended December 31, 2021 and 2022, respectively.

Depreciation and Amortization of Other Assets

Depreciation and amortization of other assets increased by 19.6% from RMB159.1 million for the year ended December 31, 2021 to RMB190.3 million for the same period in 2022 primarily due to an increase in restaurant decoration expenditures and purchases of kitchen and other equipment along with our restaurant network expansion. Depreciation and amortization of other assets as a percentage of revenue increased from 3.8% for the year ended December 31, 2021 to 4.7% for the same period in 2022, primarily due to the decrease in our total revenue.

Utility Expenses

Our utility expenses increased by 12.3% from RMB132.4 million for the year ended December 31, 2021 to RMB148.7 million for the same period in 2022 primarily due to the expansion of our restaurant network, especially the expansion of our Song Hot Pot restaurants and Lai Mei Li Grilled Fish restaurants which have higher power consumption compared with our other brands. Our utility expenses as a percentage of revenue remained relatively stable at 3.2% and 3.7% for the years ended December 31, 2021 and 2022, respectively.

Travelling and Related Expenses

Our travelling and related expenses increased by 8.1% from RMB23.6 million for the year ended December 31, 2021 to RMB25.5 million for the same period in 2022 primarily because our staff traveled more frequently for daily operations as a result of the nationwide restaurant network expansion of Tai Er in 2022. Our travelling and related expenses as a percentage of revenue remained stable at 0.6% for both years ended December 31, 2021 and 2022.

Advertising and Promotion Expenses

Our advertising and promotion expenses increased by 16.4% from RMB47.7 million for the year ended December 31, 2021 to RMB55.5 million for the same period in 2022, primarily due to an increase in advertising. Our advertising and promotion expenses as a percentage of revenue remained relatively stable at 1.1% and 1.4% for the years ended December 31, 2021 and 2022, respectively.

Other Expenses

Our other expenses increased by 21.7% from RMB259.8 million for the year ended December 31, 2021 to RMB316.1 million for the same period in 2022, primarily due to (i) an increase in delivery service fees in line with the growth of our delivery service business and (ii) an increase in transportation and related expenses along with our restaurant network expansion.

Share of (Losses)/Profits of Associates

We incurred share of losses of associates of RMB3.3 million for the year ended December 31, 2022, while we recognized share of profits of associates of RMB1.0 million for the year ended December 31, 2021, primarily because the associates we invested in incurred losses in 2022.

Other Net (Losses)/Income

We incurred other net losses of RMB87.8 million for the year ended December 31, 2022, while we recognized other net income of RMB11.4 million for the year ended December 31, 2021, primarily due to the foreign exchange losses of approximately RMB78.9 million incurred in 2022.

Finance Costs

Our finance costs increased by 7.7% from RMB75.3 million for the year ended December 31, 2021 to RMB81.1 million for the same period in 2022 primarily due to an increase in interest on lease liabilities recognized in accordance with IFRS 16 associated with our increased number of leases as a result of the expansion of our restaurant network.

Income Tax

Our income tax decreased by 71.1% from RMB133.8 million for the year ended December 31, 2021 to RMB38.7 million for the year ended December 31, 2022, primarily due to a decrease in our taxable income. Our effective tax rate increased from 26.4% for the year ended December 31, 2021 to 41.0% for the year ended December 31, 2022, primarily due to the loss before tax of the Company with zero tax rate.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 85.1% from RMB372.2 million for the year ended December 31, 2021 to RMB55.6 million for the year ended December 31, 2022.

Non-IFRS Measures

We adopt the store level operating profit and adjusted net profit, which are not required by or presented in accordance with IFRS as important financial measures to supplement our consolidated financial statements.

Store Level Operating Profit and Store Level Operating Profit Margin

We believe that store level operating profit helps shareholders and investors better understand our multi-brand and multi-concept strategy by directly illustrating the profitability of our different brands at store level, and that it is frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry.

We define store level operating profit as revenue deducting the following expenses at store level: (i) raw materials and consumables used, (ii) staff costs, (iii) depreciation of right-of-use assets, (iv) other rentals and related expenses, (v) depreciation and amortization of other assets, (vi) utility expenses, (vii) advertising and promotion expenses and (viii) other expenses, excluding unallocated headquarter expenses. The following table illustrates our store level operating profit and store level operating profit margin by brands for the years indicated:

	For the year ended December 31,			
	2022		2021	
	Store Level Operating Profit	Store Level Operating Profit Margin	Store Level Operating Profit	Store Level Operating Profit Margin
	<i>RMB'000</i>	<i>(%)</i>	<i>RMB'000</i>	<i>(%)</i>
Jiu Mao Jiu	78,031	12.9	97,965	12.9
Tai Er	444,893	14.3	718,540	21.8
Other Brands	(6,346)	(2.2)	(7,208)	(5.7)
Total	516,578	12.9	809,297	19.4

Adjusted Net Profit and Adjusted Net Profit Margin

The presentation of adjusted net profit facilitates comparisons of operating performance from period to period and company to company, by eliminating potential impacts of items that our management does not consider indicative of our operating performance. Equity-settled share-based payment expenses are non-operational expenses arising from granting restricted stock units and share options to selected executives and employees, the amount of which may not directly correlate with the underlying performance of our business operations. We believe that the adjusted net profit is frequently used by other interested parties when evaluating the performance of a company.

We define adjusted net profit as profit for the year adding equity-settled share-based payment expenses, which are non-recurring charges. The following table illustrates a reconciliation from profit for the year to adjusted net profit for the years indicated:

	For the year ended	
	December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	55,610	372,153
Add:		
Equity-settled share-based payment expenses	13,733	8,274
Adjusted net profit	69,343	380,427
Revenue	4,005,722	4,179,704
Adjusted net profit margin (%)	1.7	9.1

Inventories

Our inventories mainly represented our (i) food ingredients, (ii) condiment product, (iii) beverage and (iv) other materials used in our restaurant operations. The following table set forth a breakdown of our inventories as of the dates indicated:

	As of December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Food ingredients	73,056	34,919
Condiment product	23,547	17,203
Beverage	4,240	2,218
Other materials	17,256	16,410
Total	118,099	70,750

Our inventories increased by 66.9% from RMB70.8 million as of December 31, 2021 to RMB118.1 million as of December 31, 2022 primarily due to the expansion of our restaurant network.

Our inventory turnover days in 2021 and 2022, being the average of the beginning and ending inventories for that year divided by raw materials and consumables used for the same year and multiplied by 365 days, was 14.5 days and 23.8 days, respectively. The increase in our inventory turnover days was primarily because the consumption of inventories was slowed down as our restaurant operations were adversely affected by the reemergence of the Pandemic in 2022.

Right-of-use Assets

Our right-of-use assets, which represented the leases for our restaurant premises, headquarters offices, central kitchens and certain kitchen equipment, increased by 8.8% from RMB1,444.1 million as of December 31, 2021 to RMB1,571.0 million as of December 31, 2022, primarily due to an increase in the number of our restaurants.

Trade Debtors

Our trade debtors primarily consisted of (i) bills settled through third party payment platforms such as Alipay or WeChat Pay, which were normally settled within a short period of time, (ii) bills for our delivery business settled through third party delivery services platform, which were settled within three calendar days, and, to a lesser extent, (iii) bills received by shopping malls on behalf of us for certain restaurants, which were normally settled within one month. Our trade debtors increased by 68.7% from RMB12.2 million as of December 31, 2021 to RMB20.6 million as of December 31, 2022, primarily due to the expansion of our restaurant network. Our trade debtors turnover days, being the average of the beginning and ending balances of trade debtors for that year divided by revenue for the same year and multiplied by 365 days, remained relatively stable at 1.2 days in 2021 and 1.5 days in 2022, respectively.

Trade Payables

Our trade payables primarily consisted of payables to our suppliers. Our trade payables increased by 33.3% from RMB141.2 million as of December 31, 2021 to RMB188.2 million as of December 31, 2022, primarily due to our restaurant network expansion. Our trade payables turnover days, being the average of the beginning and ending balances of trade payables for that year divided by raw materials and consumables used for the same year and multiplied by 365 days, increased from 33.1 days in 2021 to 41.5 days in 2022, primarily due to the delay in settling certain purchases as a result of the impact of the Pandemic.

Capital Structure

Our total assets increased from RMB5,135.1 million as of December 31, 2021 to RMB5,407.1 million as of December 31, 2022. Our total liabilities increased from RMB1,997.5 million as of December 31, 2021 to RMB2,207.9 million as of December 31, 2022. Liabilities-to-assets ratio increased from 38.9% as of December 31, 2021 to 40.8% as of December 31, 2022.

The current ratio, being current assets divided by current liabilities as of the respective date, decreased from 3.18 as of December 31, 2021 to 2.71 as of December 31, 2022.

Liquidity, Capital Resources and Gearing

For the year ended December 31, 2022, we financed our operations primarily through cash generated from operations, proceeds from the global offering (the “**Global Offering**”) of the Company’s shares (the “**Shares**”) in connection with the listing (the “**Listing**”) of the Shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on January 15, 2020 and proceeds from the Subscription (as defined in the announcement of the Company dated July 16, 2020 in relation to the subscription for new Shares under the general mandate). We mainly utilized our cash on procurement of food ingredients, consumables and equipment, and restaurant renovations. Our cash and cash equivalents decreased by 18.1% from RMB1,342.1 million as of December 31, 2021 to RMB1,098.9 million as of December 31, 2022, primarily attributable to (i) a decrease in cash generated from operations as a result of the reemergence of the Pandemic and (ii) an increase in net cash used for investing activities for restaurant openings.

Our gearing ratio, being interest-bearing bank loans divided by total equity and multiplied by 100%, increased from nil as of December 31, 2021 to 0.9% as of December 31, 2022, primarily due to the bank loans of RMB30.0 million obtained in 2022.

Capital Expenditures

Our capital expenditures, which referred to the payment for purchases of property, plant and equipment, are incurred primarily for opening new restaurants, procuring property, plant and equipment for new restaurants, renovating existing restaurants and purchasing furniture and equipment used in our restaurant operations. Our total capital expenditures increased by 10.0% from RMB336.3 million for the year ended December 31, 2021 to RMB370.1 million for the same period in 2022.

Indebtedness

Bank Loans

As of December 31, 2022, all of our bank loans of RMB30.0 million were repayable within one year or on demand and were unsecured and unguaranteed (as of December 31, 2021: nil).

As of December 31, 2022, all of our borrowings were at fixed interest rates.

Lease Liabilities

Our lease liabilities increased by 9.7% from RMB1,504.8 million as of December 31, 2021 to RMB1,650.4 million as of December 31, 2022, primarily due to our restaurant network expansion.

Contingent Liabilities

As of December 31, 2022, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that was likely to have a material and adverse effect on our business, financial condition or results of operations.

Pledge of Assets

As of December 31, 2022, bank deposits of RMB10,563,000 were pledged as securities for a currency forward contract (as of December 31, 2021: bank deposits of RMB1,792,000 restricted for two contractual disputes by the relevant courts).

Save as disclosed above, as of December 31, 2022, the Group did not have any pledge on its assets.

Significant Events After the Reporting Period

Except as disclosed in note 12 to the financial statements, there are no material events subsequent to December 31, 2022 which could have a material impact on our operating and financial performance as of the date of this announcement.

Foreign Exchange Risk and Hedging

The Group mainly operates in the PRC with most of the transaction denominated and settled in RMB. However, the Group has cash and deposits denominated in other currencies which are exposed to foreign currency exchange risks. The Group has used currency forward contracts to hedge its foreign currency exchange risks, and will closely monitor the exposure and take additional measures when necessary to make sure the foreign exchange risks are manageable.

Material Acquisitions, Disposals and Future Plans for Major Investment

On June 17, 2022, Guangzhou Pin Xin Yue Gu Enterprise Management Co., Ltd. (“**Pin Xin Yue Gu**”, an indirect wholly-owned subsidiary of the Company) entered into an equity transfer agreement with Ms. Chen Rui who is an independent third party, in relation to the disposal (the “**Disposal**”) of 80.85% equity interest in Guangzhou Double Eggs Catering Co., Ltd. (the “**Disposal Company**”, an indirect non-wholly owned subsidiary of the Company prior to the Disposal) by Pin Xin Yue Gu to Ms. Chen Rui at a consideration of RMB509,400. After the completion of the Disposal on June 21, 2022, the Group ceased to hold any interest in the Disposal Company, and accordingly, the financial results of the Disposal Company were no longer be consolidated into the Group’s financial statements. As all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are below 5%, the Disposal is not a notifiable transaction of the Company under Chapter 14 of the Listing Rules. For details, please refer to the announcement of the Company dated June 17, 2022.

Save as disclosed above, during the year ended December 31, 2022, the Group did not conduct any material investments, acquisitions or disposals. In addition, save for the expansion plans as disclosed in the sections headed “Business” and “Future Plans and Use of Proceeds” in the Prospectus and the intended use of proceeds from the Subscription as disclosed in the Company’s announcements dated July 16, 2020, July 23, 2020 and July 30, 2020, the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

Final Dividend

The Board recommends the payment of a final dividend of HKD0.01 per ordinary share for the year ended December 31, 2022 (the “**Proposed Final Dividend**”) (for the year ended December 31, 2021: a final dividend of HKD0.06 per ordinary share). The Proposed Final Dividend are declared and will be paid in Hong Kong dollar. Subject to the approval of shareholders of the Company (the “**Shareholders**”) at the annual general meeting to be held on Friday, June 2, 2023 (the “**AGM**”), the Proposed Final Dividend will be paid to the Shareholders whose names appear on the register of members of the Company on Tuesday, June 13, 2023. The Proposed Final Dividend is expected to be distributed to the Shareholders on Friday, June 30, 2023.

Annual General Meeting

The AGM will be held on Friday, June 2, 2023. A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in due course.

Closure of Register of Members

(a) Entitlement to Attend and Vote at the AGM

In order to determine the entitlement of the Shareholders to attend and vote at the AGM, the Company’s register of members will be closed from Tuesday, May 30, 2023 to Friday, June 2, 2023, both dates inclusive, during which period no transfer of share will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F., Central Tower, 28 Queen’s Road Central, Hong Kong for registration not later than 4:30 p.m. on Monday, May 29, 2023.

(b) Entitlement to the Proposed Final Dividend

In order to determine the entitlement of the Shareholders to receive the Proposed Final Dividend, the Company's register of members will be closed from Friday, June 9, 2023 to Tuesday, June 13, 2023, both dates inclusive, during which period no transfer of share will be registered. In order to be eligible to receive the Proposed Final Dividend, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, Hong Kong for registration not later than 4:30 p.m. on Thursday, June 8, 2023.

Company Information

The Company was incorporated in the Cayman Islands on February 1, 2019 as an exempted company with limited liability, and the Shares were listed on the Main Board of the Stock Exchange on January 15, 2020.

Employees

As of December 31, 2022, the Group had a total of 9,711 employees and 6,479 outsourced personnel, substantially all of whom were based in the PRC.

Our success depends on our ability to attract, retain and motivate qualified personnel. The remuneration package for our employees generally includes salary and bonuses. We determine employee remuneration based on factors such as qualifications and years of experience. Employees also receive welfare benefits, including medical care, retirement benefits, occupational injury insurance and other miscellaneous items. We make contributions to mandatory social security funds for our employees to provide for retirement, medical, work-related injury, maternity and unemployment benefits.

During the year ended December 31, 2022, our staff costs (including Directors' emoluments) were RMB1,133.9 million.

Use of Proceeds

Use of Proceeds from the Global Offering

The Company was listed on the Stock Exchange on January 15, 2020. The net proceeds from the Global Offering amounted to approximately HKD2,372.9 million. The following table sets forth the status of the use of net proceeds from the Global Offering⁽¹⁾:

Intended use of proceeds	Percentage of intended use of proceeds	Intended use of proceeds from the initial public offering (In HKD millions)	Percentage of used amount as of March 10, 2023	Percentage of unused balance as of March 10, 2023	Timeframe for the unused balance
	(%)	(In HKD millions)	(%)	(%)	
Expand our restaurant network	77.4	1,837.9 ⁽²⁾	73.1	26.9	By the end of 2024 ⁽³⁾
Further strengthen the supply and support capabilities for our restaurants and enhance our centralized procurement system	5.6	133.7	100.0	-	-
Construct and establish a supply chain center in Southern China by 2023	3.2	76.4	100.0	-	-
Renovate our existing central kitchens and upgrading our equipment and facilities	2.4	57.3	100.0	-	-
Repay part of our bank loans	8.9	210.2	100.0	-	-
Working capital and general corporate purposes	8.1	191.1	100.0	-	-
Total	100.0	2,372.9	79.2	20.8	By the end of 2024

Notes:

- (1) The figures in the table are approximate figures.
- (2) Including the net proceeds of approximately HKD315.0 million (after deducting the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the exercise of the Over-allotment Option) for the 50,010,000 shares issued upon the exercise in full of the Over-allotment Option.
- (3) The net proceeds from the Global Offering have been used according to the intentions previously disclosed, except that, in light of the persistently uncertain business environment and the outbreak of the Pandemic, barring any unforeseen situations beyond the Group's control, it is expected that the unused net proceeds of approximately HKD494.1 million for the expansion of our restaurant network, including opening of new restaurants and the renovation of existing restaurants, as of March 10, 2023 are to be fully utilized by the end of 2024.

The expected timeline of full utilization of the unutilized net proceeds is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of market conditions. The Directors will constantly evaluate the Group's business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. The Directors will also take a cautious approach continually when considering using the proceeds and closely monitor the changes of the market conditions from time to time. Should there be any material change in the intended use of the unutilized net proceeds, the Company will make appropriate announcement(s) in due course.

As of the date of this announcement, the Directors are not aware of any material change to the planned use of the proceeds as disclosed in the section under "Future Plans and Use of Proceeds" in the Prospectus and the announcement of the Company dated March 22, 2021.

Use of Proceeds from the Subscription

The following table sets forth the status of the use of net proceeds from the Subscription:

Intended use of proceeds	Percentage of intended use of proceeds (%)	Intended use of proceeds from the Subscription (In HKD millions)	Percentage of used amount as of March 10, 2023 (%)	Percentage of unused balance as of March 10, 2023 (%)	Timeframe for the unused balance
Invest in suppliers for key raw material	55.0	456.5	40.4	59.6	By the end of 2026
General working capital	30.0	249.0	100.0	–	–
Invest in other companies in the catering industries	15.0	124.5	69.5	30.5	By the end of 2026
Total	100.0	830.0	62.6	37.4	By the end of 2026

Note:

(1) The figures in the table are approximate figures.

RESTRICTED STOCK UNIT SCHEME

The Group's controlling shareholder, Mr. Guan Yihong, operated a share-based incentive scheme (the "**Old RSU Scheme**") under which the restricted stock units ("**RSUs**") of Guangzhou Jiumaojiu Catering Chain Co., Ltd. ("**Guangzhou Jiumaojiu**"), an indirect wholly-owned subsidiary of the Company, were granted as share incentives to its qualified directors and employees and its subsidiaries (the "**RSU grantees**") through an employee shareholding platform (the "**RSU platform**"), Guangzhou Maixuan Investment Center (Limited Partnership), which was a shareholder of Guangzhou Jiumaojiu prior to the reorganization of the Group in preparation for the Listing. The principal terms of the restricted stock unit scheme (the "**RSU Scheme**"), approved and adopted by the Board to govern the RSUs granted under the Old RSU Scheme approved and adopted by the board of directors of Guangzhou Jiumaojiu on December 3, 2014, largely mirror those of the Old RSU Scheme. All RSUs granted under the Old RSU Scheme were converted into the shares of MT J Limited and MX J Limited upon the completion of the reorganization of the Group on June 14, 2019. No restricted stock units have been granted or will be granted under the RSU Scheme. No more RSUs will be granted under the Old RSU Scheme. If any RSU lapses, the corresponding Shares will be transferred to Mr. Guan Yihong or his wholly-owned investment vehicle after the Listing. The RSU Scheme will terminate as soon as all the RSUs granted under the Old RSU Scheme lapse or vest.

Each participant in the RSU Scheme (the "**RSU Participant**") shall remain in service with Guangzhou Jiumaojiu or any of its subsidiaries for five years from the date of granting the RSUs (the "**Service Period**") and the RSUs shall vest at the end of the Service Period. Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder, and free of restrictions on transfer. The RSUs granted pursuant to the RSU Scheme are personal to each RSU Participant, and are not assignable during the Service Period, unless otherwise permitted under the RSU Scheme.

Further details of the RSU Scheme are/will be set out in Appendix IV to the Prospectus and in the 2022 annual report of our Company.

Details of the RSUs granted under the RSU Scheme and the movements in RSUs during the year ended December 31, 2022 are set out below:

Name of grantee of RSU	Position held with the Group	Number of Shares represented by RSUs as at January 1, 2022	Date of grant	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year	Unvested as at December 31, 2022	Weighted average closing price immediately before the vesting date during the year (HKD per Share)	Number of Shares represented by RSUs as at December 31, 2022	Vesting date
Director of the Company											
Cui Longyu	Executive Director, vice president, director of human resources of Guangzhou Jiumaojiu	981,875	Jun 8, 2018	-	-	-	-	981,875	-	981,875	Jun 8, 2023
Senior management of the Group											
Hu Zhonghua . . .	Director of development of Guangzhou Jiumaojiu	157,100	Jun 8, 2018	-	-	-	-	157,100	-	157,100	Jun 8, 2023
Other employees of the Group											
15 other employees of the Group	-	5,914,735	Jun 8, 2018 Oct 12, 2018	-	-	-	-	5,914,735	-	5,914,735	Jun 8, 2023 Oct 12, 2023
Total		7,053,710		-	-	-	-	7,053,710		7,053,710	

SHARE OPTION SCHEME

A share option scheme was conditionally approved and adopted by our shareholders on December 6, 2019 (the “**Share Option Scheme**”) and its implementation is conditional on the Listing. The purpose of the Share Option Scheme is to provide our Company with a means of incentivizing the any director or employee of our Group who has contributed or will contribute to our Group and retaining employees, and to encourage employees to work towards enhancing the value of our Company and promote the long-term growth of our Company. The Share Option Scheme will link the value of the Company with the interests of the participants, enabling the participants and the Company to develop together and promote the Company’s corporate culture.

The Share Option Scheme remains valid for a period of ten years commencing on December 6, 2019. As at December 31, 2022, the remaining life of the Share Option Scheme is approximately six years and eleven months.

The table below sets out the details of share options granted and outstanding during the period from January 1, 2022 to December 31, 2022 under the Share Option Scheme:

Name of grantee	Outstanding as at January 1, 2022	Granted during the year	Date of grant	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at December 31, 2022	Exercise price (HKD per Share)	Closing price immediately before the date of grant during the year (HKD per Share)	Weighted average closing price immediately before the date of exercise of options during the year (HKD per Share)	Fair value of Shares at the date of grant during the year (HKD)	Vesting period	Exercise period
Directors of the Company													
Guan Yihong . . .	200,000	-	Oct 29, 2021	-	-	-	200,000	20.24	-	-	-	Oct 29, 2021 – Oct 28, 2022	Oct 29, 2022 – Oct 28, 2024
	-	250,000	Nov 14, 2022	-	-	-	250,000	16.04	16.54	-	1,186,707	Nov 14, 2022 – Nov 13, 2023	Nov 14, 2023 – Nov 13, 2025
Li Zhuoguang . . .	222,500	-	Oct 28, 2020	-	-	-	222,500	17.98	-	-	-	Oct 28, 2020 – Oct 27, 2021	Oct 28, 2021 – Oct 27, 2023
	321,200	-	Oct 29, 2021	-	-	-	321,200	20.24	-	-	-	Oct 29, 2021 – Oct 28, 2022	Oct 29, 2022 – Oct 28, 2024
	-	445,000	Nov 14, 2022	-	-	-	445,000	16.04	16.54	-	2,112,338	Nov 14, 2022 – Nov 13, 2023	Nov 14, 2023 – Nov 13, 2025
Cui Longyu	222,500	-	Oct 28, 2020	-	-	-	222,500	17.98	-	-	-	Oct 28, 2020 – Oct 27, 2021	Oct 28, 2021 – Oct 27, 2023
	299,800	-	Oct 29, 2021	-	-	-	299,800	20.24	-	-	-	Oct 29, 2021 – Oct 28, 2022	Oct 29, 2022 – Oct 28, 2024
	-	422,000	Nov 14, 2022	-	-	-	422,000	16.04	16.54	-	2,003,161	Nov 14, 2022 – Nov 13, 2023	Nov 14, 2023 – Nov 13, 2025
He Chengxiao . . .	289,200	-	Oct 28, 2020	(289,200)	-	-	-	17.98	-	22.00	-	Oct 28, 2020 – Oct 27, 2021	Oct 28, 2021 – Oct 27, 2023
	389,800	-	Oct 29, 2021	-	-	-	389,800	20.24	-	-	-	Oct 29, 2021 – Oct 28, 2022	Oct 29, 2022 – Oct 28, 2024
	-	538,000	Nov 14, 2022	-	-	-	538,000	16.04	16.54	-	2,553,794	Nov 14, 2022 – Nov 13, 2023	Nov 14, 2023 – Nov 13, 2025

Name of grantee	Outstanding as at January 1, 2022	Granted during the year	Date of grant	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at December 31, 2022	Exercise price (HKD per Share)	Closing price immediately before the date of grant during the year (HKD per Share)	Weighted average closing price immediately before the date of exercise of options during the year (HKD per Share)	Fair value of Shares at the date of grant during the year (HKD)	Vesting period	Exercise period
Employees of the Group													
Employees of the Group . . .	834,700	-	Oct 28, 2020	(392,000)	-	(27,900)	414,800	17.98	-	21.17	-	Oct 28, 2020 – Oct 27, 2021	Oct 28, 2021 – Oct 27, 2023-
	2,547,500	-	Oct 29, 2021	(120,900)	-	(223,700)	2,202,900	20.24	-	20.95	-	Oct 29, 2021 – Oct 28, 2022	Oct 29, 2022 – Oct 28, 2024
	-	4,213,000	Nov 14, 2022	-	-	(159,000)	4,054,000	16.04	16.54	-	18,918,000	Nov 14, 2022 – Nov 13, 2023	Nov 14, 2023 – Nov 13, 2025
Total	<u>5,327,200</u>	<u>5,868,000</u>		<u>(802,100)</u>	<u>-</u>	<u>(410,600)</u>	<u>9,982,500</u>						

As of December 31, 2022, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 9,982,500, representing 0.69% of the total number of Shares in issue at that date, and the number of Shares in respect of which options may further be granted under the Share Option Scheme was 122,555,400, representing 8.43% of the total number of Shares in issue at that date.

ROUNDING

Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*for the year ended 31 December 2022**(Expressed in Renminbi)*

	<i>Note</i>	<u>2022</u>	<u>2021</u>
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2	4,005,722	4,179,704
Other revenue	3	71,348	64,236
Raw materials and consumables used	4(e)	(1,447,132)	(1,537,366)
Staff costs	4(b)	(1,133,857)	(1,056,868)
Depreciation of right-of-use assets	4(e)	(403,013)	(342,546)
Other rentals and related expenses	4(e)	(83,248)	(96,885)
Depreciation and amortisation of other assets	4(e)	(190,268)	(159,142)
Utility expenses		(148,668)	(132,352)
Travelling and related expenses		(25,537)	(23,624)
Advertising and promotion expenses		(55,546)	(47,722)
Other expenses	4(d)	(316,124)	(259,814)
Share of (losses)/profits of associates		(3,264)	984
Other net (losses)/income	4(c)	(87,805)	11,422
Finance costs	4(a)	(81,110)	(75,307)
Impairment losses of property, plant and equipment and right-of-use assets	4(e)	(7,167)	(18,800)
Profit before taxation	4	94,331	505,920
Income tax	5	(38,721)	(133,767)
Profit for the year		55,610	372,153
Attributable to:			
Equity shareholders of the Company		49,280	339,936
Non-controlling interests		6,330	32,217
Profit for the year		55,610	372,153
Earnings per share	6		
Basic (RMB)		0.03	0.23
Diluted (RMB)		0.03	0.23

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 11(d).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022

(Expressed in Renminbi)

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	55,610	372,153
Other comprehensive income for the year		
<i>Items that will not be reclassified to profit or loss:</i>		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	(126,444)	132,771
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of operations outside the Mainland China	213,295	(79,770)
Other comprehensive income for the year	86,851	53,001
Total comprehensive income for the year	142,461	425,154
Attributable to:		
Equity shareholders of the Company	136,131	392,937
Non-controlling interests	6,330	32,217
Total comprehensive income for the year	142,461	425,154

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*as at 31 December 2022**(Expressed in Renminbi)*

	<i>Note</i>	<u>2022</u>	<u>2021</u>
		<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		736,623	572,178
Right-of-use assets		1,570,992	1,444,128
Intangible assets		24,562	18,389
Interests in associates		10,066	13,085
Other non-current financial assets	7	153,864	320,602
Deferred tax assets		115,015	82,219
Rental deposits		83,383	75,599
Other non-current assets		127,336	49,466
		<u>2,821,841</u>	<u>2,575,666</u>
Current assets			
Inventories	8	118,099	70,750
Trade and other receivables	9	505,456	408,958
Restricted bank deposits		10,563	1,792
Deposits with banks with original maturity date over three months		852,241	735,840
Cash and cash equivalents		1,098,872	1,342,090
		<u>2,585,231</u>	<u>2,559,430</u>
Current liabilities			
Trade and other payables	10	460,364	369,730
Contract liabilities		4,214	5,871
Lease liabilities		442,913	390,685
Bank loans		30,000	–
Current taxation		17,467	38,259
		<u>954,958</u>	<u>804,545</u>
Net current assets		<u>1,630,273</u>	<u>1,754,885</u>

	<i>Note</i>	<u>2022</u> <i>RMB'000</i>	<u>2021</u> <i>RMB'000</i>
Non-current liabilities			
Lease liabilities		1,207,438	1,114,106
Provisions		37,949	31,645
Deferred tax liabilities		7,595	47,204
		<u>1,252,982</u>	<u>1,192,955</u>
NET ASSETS		<u>3,199,132</u>	<u>3,137,596</u>
CAPITAL AND RESERVES			
Share capital	<i>11(a)</i>	1	1
Reserves	<i>11(c)</i>	3,174,281	3,082,573
Total equity attributable to equity shareholders of the Company		3,174,282	3,082,574
Non-controlling interests		24,850	55,022
TOTAL EQUITY		<u>3,199,132</u>	<u>3,137,596</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (“IASB”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

Item included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the “Functional Currency”). The financial statements are presented in Renminbi (“RMB”), rounded to the nearest thousand except for earnings per share information. The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial assets measured at fair value through other comprehensive income (FVOCI) and financial assets measured at fair value through profit or loss (FVPL) are stated at their fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) **Changes in accounting policies**

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendment to IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 REVENUE AND SEGMENT REPORTING

(a) **Revenue**

The principal activities of the Group are restaurant operations, delivery business and sales of specialities.

(i) ***Disaggregation of revenue***

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15:		
Restaurant operations	3,203,210	3,524,424
Delivery business	787,114	621,506
Sales of specialities	1,478	15,855
Others	13,920	17,919
	<u>4,005,722</u>	<u>4,179,704</u>

Note: Revenue was mainly recognised at point in time when control over a product or service was transferred to the customer.

No revenue from individual customer contributing over 10% of total revenue of the Group for the years ended 31 December 2022 and 2021.

(ii) ***Revenue expected to be recognised in the future arising from contracts in existence at the reporting date***

Contracts within the scope of IFRS 15

As at 31 December 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB3,006,000 (31 December 2021: RMB4,751,000). This amount represents the customer loyalty scheme. The Group will recognise the expected revenue in future over the remaining contract period, which is expected to occur over the next 12 to 24 months (31 December 2021: 12 to 36 months).

(b) Segment Reporting

The Group manages its businesses by restaurant brands. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments.

- Jiu Mao Jiu: this segment operates restaurants and delivery business offering family-oriented food under Jiu Mao Jiu brand.
- Tai Er: this segment operates restaurants featuring Chinese sauerkraut fish and Sichuan cuisine under Tai Er brand.
- Others: this segment includes restaurants operating in other brands such as Double Eggs, Song Hot Pot, Uncle Chef and Lai Mei Li Grilled Fish, as well as franchise business of Double Eggs.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates, other non-current financial assets, deferred tax assets and other headquarter assets. Segment liabilities include lease liabilities, provisions, trade and other payables and contract liabilities attributable to the restaurant operations activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "Non-GAAP Operating Profit". During the year ended 31 December 2022, the management has revised the definition of Non-GAAP Operating Profit for a better understanding on the Group's multi-brand and multi-concept strategy by shareholders and investors. Under the revised reporting segment information, no headquarter expenses are allocated to any reportable segments but separately disclosed. On the other hand, advertising and promotion expenses and certain other expenses attributable to store operations, which were unallocated and disclosed separately in the previous years, are allocated to each reportable segment.

Upon the above revisions, the Group defines Non-GAAP Operating Profit as revenue deducting the following expenses at store-level (i) raw materials and consumables used, (ii) staff costs, (iii) depreciation of right-of-use assets, (iv) other rentals and related expenses, (v) depreciation and amortisation of other assets, (vi) utility expenses, (vii) advertising and promotion expenses and (viii) other expenses, excluding unallocated headquarter expenses.

The segment result for the year ended 31 December 2021 has also been revised to conform to the current year's presentation.

In addition to receiving segment information concerning Non-GAAP Operating Profit, management is provided with segment information concerning inter segment sales, expense from borrowings managed directly by the segments, net gains/(losses) on restaurants closures.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below.

	Jiu Mao Jiu		Tai Er		Others		Total	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Reportable segment revenue								
Revenue from external customers	605,511	760,462	3,108,328	3,292,184	291,883	127,058	4,005,722	4,179,704
Reportable segment profit/(loss) (Non-GAAP Operating Profit)	78,031	97,965	444,893	718,540	(6,346)	(7,208)	516,578	809,297
Finance costs	(11,582)	(20,260)	(61,294)	(51,258)	(8,234)	(3,789)	(81,110)	(75,307)
Gains/(losses) on restaurants closures, net	1,433	201	(2,216)	(5,288)	(306)	524	(1,089)	(4,563)
Impairment losses of property, plant and equipment and right-of-use assets	(4,157)	(11,092)	(2,862)	(4,941)	(148)	(2,767)	(7,167)	(18,800)
Reportable segment assets	891,037	659,268	2,462,541	2,528,370	356,625	202,353	3,710,203	3,389,991
Reportable segment liabilities	526,875	359,786	2,275,416	2,381,107	458,874	260,809	3,261,165	3,001,702

(ii) Reconciliations of reportable segment profit or loss, assets and liabilities

	2022 RMB'000	2021 RMB'000
Profit		
Reportable segment profit (Non-GAAP Operating Profit)	516,578	809,297
Other revenue	71,348	64,236
Travelling and related expenses	(25,537)	(23,624)
Share of (losses)/profits of associates	(3,264)	984
Other net (losses)/income	(87,805)	11,422
Finance costs	(81,110)	(75,307)
Impairment losses of property, plant and equipment and right-of-use assets	(7,167)	(18,800)
Unallocated headquarter expenses	(288,712)	(262,288)
Consolidated profit before taxation	94,331	505,920

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Assets		
Reportable segment assets	3,710,203	3,389,991
Elimination of inter-segment receivables	<u>(2,196,265)</u>	<u>(1,242,530)</u>
	1,513,938	2,147,461
Interests in associates	10,066	13,085
Other non-current financial assets	153,864	320,602
Deferred tax assets	115,015	82,219
Unallocated headquarter assets	<u>3,614,189</u>	<u>2,571,729</u>
Consolidated total assets	<u>5,407,072</u>	<u>5,135,096</u>
Liabilities		
Reportable segment liabilities	3,261,165	3,001,702
Elimination of inter-segment payables	<u>(2,196,265)</u>	<u>(1,242,530)</u>
	1,064,900	1,759,172
Current taxation	17,467	38,259
Deferred tax liabilities	7,595	47,204
Unallocated headquarter liabilities	<u>1,117,978</u>	<u>152,865</u>
Consolidated total liabilities	<u>2,207,940</u>	<u>1,997,500</u>

(iii) Geographic information

Analysis of the Group's revenue from external customers as well as analysis of the Group's carrying amount of non-current assets by geographical market has not been presented as over 90% of the Group's revenue and non-current assets are generated and located in the PRC.

3 OTHER REVENUE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income on:		
– bank deposits	21,589	4,699
– rental deposits	2,136	1,774
– others	4,038	7,686
	<u>27,763</u>	<u>14,159</u>
Income from value-added tax super deduction and exemption (<i>note (i)</i>)	27,562	43,461
Government grants (<i>note (ii)</i>)	16,023	6,616
	<u>71,348</u>	<u>64,236</u>

Notes:

- (i) Income from value-added tax super deduction and exemption represented the super deduction and exemption on value-added tax granted by the government authorities in the PRC.
- (ii) Government grants mainly represented unconditional cash awards granted by the government authorities in the PRC.

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(a) Finance costs		
Interest on bank loans	809	537
Interest on lease liabilities	78,663	73,402
Interest on provisions	1,638	1,368
	<u>81,110</u>	<u>75,307</u>
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	845,408	1,010,435
Contributions to defined contribution retirement plan	26,939	20,602
Equity-settled share-based payment expenses	13,733	8,274
	<u>886,080</u>	<u>1,039,311</u>
Outsourced staff costs	<u>247,777</u>	<u>17,557</u>
	<u>1,133,857</u>	<u>1,056,868</u>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(c) Other net losses/(income)		
Losses on disposal of property, plant and equipment and right-of-use assets	734	2,468
Losses on rental deposits	355	2,095
Income on COVID-19 rent concessions	–	(1,345)
Net foreign exchange losses/(gains)	78,862	(17,893)
Donations	848	221
Net fair value changes of financial assets measured at FVPL	7,686	2,389
Gain on disposal of the other non-current financial assets	–	(601)
Loss on disposal of a non-wholly owned subsidiary (<i>note</i>)	1,991	–
Others	(2,671)	1,244
	<u>87,805</u>	<u>(11,422)</u>

Note: On 17 June 2022, the Group and the non-controlling interest holders disposed their 80.85% and 19.15% equity interests of Double Eggs respectively to a third party at the consideration of RMB630,000 in aggregate. The Group recognised a disposal loss of RMB1,991,000 and a decrease in non-controlling interests of RMB1,598,000. Upon completion of disposal, the Group ceased to hold any interest over Double Eggs.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(d) Other expenses		
Auditors' remuneration		
– audit services	2,800	2,600
– non-audit services	800	800
	<u>3,600</u>	<u>3,400</u>
Professional service fees	66,599	64,409
Expenses for opening new restaurants	44,922	33,859
Transportation and related expenses	125,158	100,339
Maintenance expenses	14,552	9,816
Bank charges	8,934	8,813
Insurance expenses	2,548	2,161
Business development expenses	5,785	5,323
Office expenses	15,020	9,780
Research and development expenses	3,082	1,816
Cleaning fees	16,430	14,776
Cultural event expenses	1,004	832
Others	8,490	4,490
	<u>316,124</u>	<u>259,814</u>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(e) Other items		
Amortisation	5,918	3,412
Depreciation		
– property, plant and equipment	184,350	155,730
– right-of-use assets	403,013	342,546
	<u>587,363</u>	<u>498,276</u>
Impairment losses of property, plant and equipment and right-of-use assets (<i>note (i)</i>)	7,167	18,800
Raw materials and consumables used	1,447,132	1,537,366
Cost of inventories (<i>note (ii)</i>)	1,499,369	1,580,604
Other rentals and related expenses	83,248	96,885

Notes:

- (i) “Impairment losses of property, plant and equipment and right-of-use assets” was presented as a separate line item in the consolidated statement of profit or loss of the Company for the years ended 31 December 2022 and 2021.
- (ii) Cost of inventories includes RMB52,237,000 for the year ended 31 December 2022 (for the year ended 31 December 2021: RMB43,238,000), relating to “staff costs”, “depreciation and amortisation expenses”, which amount is also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

5 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represents:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax		
Provision for the year		
– PRC income tax	70,712	128,802
– Other jurisdictions	1,307	1,157
Over-provision in respect of prior years	(156)	(376)
	<u>71,863</u>	<u>129,583</u>
Deferred tax		
Origination and reversal of accumulated tax loss and temporary differences	(33,142)	4,184
	<u>38,721</u>	<u>133,767</u>

(b) **Reconciliation between tax expense and accounting profit at applicable tax rates:**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit before taxation	<u>94,331</u>	<u>505,920</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	39,805	124,081
Effect of preferential income tax rates of certain subsidiaries (iii)	(5,133)	(1,868)
Effect of non-deductible expenses	11,257	6,623
Tax effect of unused tax losses and deductible temporary differences not recognised	2,174	7,393
Tax effect of using the deductible losses and deductible temporary differences not recognised	(182)	(145)
Effect of recognising the deductible losses and temporary differences for which no deferred tax asset was recognised in previous years	(7,595)	–
Over-provision in respect of prior years	(156)	(376)
Others	<u>(1,449)</u>	<u>(1,941)</u>
Actual tax expense	<u>38,721</u>	<u>133,767</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) The Group’s subsidiaries in Hong Kong did not have any other assessable profits for the years ended 31 December 2022 (2021: Nil).
- (iii) Taxable income for the Group’s subsidiaries in the PRC are subject to PRC income tax rate of 25% for the years ended 31 December 2022 and 2021, unless otherwise specified below.

Certain subsidiaries met the criteria for enterprises/branches in catering industry established in Hainan Province in the PRC and were entitled to the preferential income tax rate of 15% from 2020 to 2024.

Certain subsidiaries met the criteria required for preferential income tax rate granted to small and low profit-making enterprise in the PRC, and were entitled to a preferential income tax rate of 2.5% on taxable income for the first RMB1,000,000 and 5% on taxable income for the subsequent RMB1,000,000 to RMB3,000,000.

- (iv) The Company’s subsidiaries incorporated overseas, other than Hong Kong and the BVI, are subject to overseas profits tax at 3% to 28% on estimated assessable profit for the years ended 31 December 2022 and 2021.
- (v) According to the Corporate Income Tax Law and its implementation rules, dividends and interest receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. The withholding tax rate of 10% was applicable for the Group for the years ended 31 December 2022 and 2021.

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2022 is based on the profit attributable to equity shareholders of the Company of RMB49,280,000 (2021: RMB339,936,000) and the weighted average of 1,453,662,569 shares (2021: 1,453,410,000) in issue during the year.

	2022 <i>Shares</i>	2021 <i>Shares</i>
Issued shares at 1 January	1,453,410,000	1,453,410,000
Effect of shares issued due to exercise of share options	<u>252,569</u>	<u>–</u>
Weighted average number of shares at 31 December	<u><u>1,453,662,569</u></u>	<u><u>1,453,410,000</u></u>

(b) Diluted earnings per share

The calculation of diluted earnings per share during the year ended 31 December 2022 is based on the profit attributable to equity shareholders of the Company of RMB49,280,000 (2021: RMB339,936,000) and the weighted average of 1,453,662,569 shares (2021: 1,453,970,000), calculated as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Weighted average number of ordinary shares at 31 December	1,453,662,569	1,453,410,000
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	<u>–</u>	<u>560,000</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u><u>1,453,662,569</u></u>	<u><u>1,453,970,000</u></u>

For year ended 31 December 2022, the potential ordinary shares of restricted stock units scheme and employee's share option scheme were anti-dilutive.

7 OTHER NON-CURRENT FINANCIAL ASSETS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Equity securities designated at FVOCI (non-recycling)		
– Unlisted equity securities (<i>note (a)</i>)	54,009	211,354
– Listed equity securities (<i>note (b)</i>)	11,410	18,473
Financial assets measured at FVPL		
– Investments in limited partnership enterprises (<i>note (c)</i>)	29,601	29,601
– Investments in funds (<i>note (d)</i>)	<u>58,844</u>	<u>61,174</u>
	<u><u>153,864</u></u>	<u><u>320,602</u></u>

Notes:

- (a) The Group held unlisted equity investments in several entities. The entities are incorporated in the PRC and engaged in investing, catering, or food and beverage industry. The Group designated its investments in unlisted equity securities at FVOCI (non-recycling), as the investments are held for strategic purposes. Fair value of each unlisted equity securities is determined by the directors of the Company with reference to the valuation performed, using the price-to-sales ratios of comparable listed companies adjusted for lack of marketability discount if no market information of recent transactions is available, such as recent fund-raising transactions undertaken by the investees. Otherwise, the costs are used as approximation of fair value if the initial investment date is relatively close to the measurement date, or the investees are start-up entities when there is no catalyst for a change in fair value.
- (b) The Group held equity securities listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Group designated its investments in the listed equity securities at FVOCI (non-recycling), as the investments are held for long-term investment purpose. Fair value of the listed equity securities is measured by referencing to the stock price.
- (c) The Group held investments in limited partnership enterprises (the “Partnership Enterprise(s)”). These Partnership Enterprises are specialised in equity investment. The Group has an intention of holding such investments as long-term investments. According to the Partnership Enterprises agreements, the Partnership Enterprises are managed by their general partner. The Group participates in the Partnership Enterprise as one of the limited partners who does not have power on selection nor removal of assets manager or general partner of the Partnership Enterprise. In addition, the Group does not have any right on making operating, investing and financing decision of the Partnership Enterprise. The directors are of the opinion that the Group does not have any control nor significant influence to affect the variable returns through its investment in the Partnership Enterprise and therefore these investments are accounted for at fair value. Fair value of such investments is measured by referencing to the latest investment transactions. Otherwise, the costs are used as approximation of fair value if the initial investment date is relatively close to the measurement date, or the investees are start-up entities when there is no catalyst for a change in fair value.
- (d) The Group held investments in funds operated by a fund management company. The investments are accounted for at fair value. Since the units in the funds are redeemable at the net asset value of the funds, fair value of such investments is measured according to the net asset value as at 31 December 2022.

8 INVENTORIES

- (a) **Inventories in the consolidated statement of financial position comprise:**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Food ingredients	73,056	34,919
Condiment product	23,547	17,203
Beverage	4,240	2,218
Other materials	17,256	16,410
	<u>118,099</u>	<u>70,750</u>

- (b) **The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Carrying amount of inventories sold	<u>1,499,369</u>	<u>1,580,604</u>

9 TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade debtors	20,615	12,223
Other receivables and deposits	312,553	222,238
Interests receivables	8,821	501
Prepayments	71,061	102,476
Amounts due from related parties	92,406	71,520
	<u>505,456</u>	<u>408,958</u>

All of the trade and other receivables are expected to be recovered or recognised as expense within one year or are recovered on demand.

Ageing analysis:

As at the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the revenue recognition date, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 month	<u>20,615</u>	<u>12,223</u>

Trade debtors are due within 30 days from the date of revenue recognition.

10 TRADE AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	188,247	141,207
Other payables and accrued charges	231,938	212,267
Amounts due to related parties	36,282	12,461
Dividends payable	3,897	3,795
	<u>460,364</u>	<u>369,730</u>

All trade and other payables (including amounts due to related parties) are expected to be settled or recognised as income within one year or are repayable on demand.

As at the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2022 RMB'000	2021 <i>RMB'000</i>
Within 1 year	<u>188,247</u>	<u>141,207</u>

11 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

(i) Issued share capital

	2022		
	No. of shares	Nominal value of fully paid shares USD	Nominal value of fully paid shares RMB equivalent
Ordinary shares, issued and fully paid:			
At 1 January 2022	1,453,410,000	145.34	985
Shares issued due to exercise of Share Option Scheme at USD0.0000001 each (<i>note 11(a)(ii)</i>)	<u>802,100</u>	<u>0.08</u>	<u>1</u>
At 31 December 2022	<u>1,454,212,100</u>	<u>145.42</u>	<u>986</u>

The ordinary share of the Company has a par value of USD0.0000001 each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Shares issued due to exercise of Share Option Scheme

During the year ended 31 December 2022, share options were exercised to subscribe for a total of 802,100 (2021: Nil) ordinary shares in the Company at a consideration of HKD14,695,000 (equivalent to approximately RMB12,812,000), of which RMB0.6 and RMB15,598,000 were credited to share capital and the share premium account respectively. RMB2,786,000 was transferred from the share-based payments reserve to the share premium account.

(b) Movements in components of equity

Details of the changes in the Company's individual components of equity are set out below:

The Company

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Share-based payment reserve <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Fair value reserve (non- recycling) <i>RMB'000</i>	Retained profits/ (Accumulated losses) <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021	1	2,884,558	996	(164,332)	-	37,147	2,758,370
Profit for the year	-	-	-	-	-	3,459	3,459
Other comprehensive income	-	-	-	(78,226)	(741)	-	(78,967)
Equity-settled share-based transactions	-	-	6,507	-	-	-	6,507
Dividends declared in respect of previous year	-	(48,734)	-	-	-	-	(48,734)
At 31 December 2021 and 1 January 2022	1	2,835,824	7,503	(242,558)	(741)	40,606	2,640,635
Loss for the year	-	-	-	-	-	(65,774)	(65,774)
Other comprehensive income	-	-	-	237,617	(8,435)	-	229,182
Equity-settled share-based transactions	-	-	12,881	-	-	-	12,881
Shares issued due to exercise of share options	-*	15,598	(2,786)	-	-	-	12,812
Share options forfeited during the year	-	-	(97)	-	-	97	-
Dividends declared in respect of previous year	-	(70,968)	-	-	-	-	(70,968)
At 31 December 2022	1	2,780,454	17,501	(4,941)	(9,176)	(25,071)	2,758,768

* The amount represents amount less than RMB1,000.

(c) Nature and purposes of reserves

(i) Capital reserve

During the year ended 31 December 2020, the Group disposed 20% and 0.1% equity interest of Xi Qin Catering to non-controlling shareholders at consideration of RMB10,000 in aggregate and retain 79.9% equity interests after disposal. The capital reserve of the Group as at 31 December 2022 and 31 December 2021 represented the difference between the consideration obtained and the disposed proportionate interests in identifiable net assets of the above subsidiary.

(ii) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

Under the Companies Act of the Cayman Islands, the funds in the share premium account of the Company are distributable to the equity shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(iii) Share-based payments reserve

The share-based payments reserve represents the portion of the grant date fair value of RSUs and unexercised share options granted to the directors and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments.

(iv) Statutory reserve

According to the PRC Company Law, the Company's PRC subsidiaries are required to transfer 10% of their profit after taxation, as determined under the PRC accounting regulations, to statutory reserve until the reserve balance reaches 50% of the registered capital. For the purpose of calculating the transfer to reserve, the profit after taxation shall be the amount determined based on the statutory financial statements prepared in accordance with PRC accounting standards. The transfer to this reserve must be made before distribution of dividend to shareholders.

Statutory reserve fund can be used to cover previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(v) Exchange reserve

The exchange reserve comprise all foreign exchange differences arising from the translation of the financial information of operations with functional currency other than RMB.

(vi) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) include post-tax accumulated gains or losses arising from the remeasurement of the unlisted equity securities designated at FVOCI (non-recycling).

(vii) Acquisition of non-controlling interests

On 5 September 2021, the Group acquired additional 3% equity interests in Tai Er Catering for RMB300,000,000 and held 88% equity interests of Tai Er Catering in aggregate upon completion of the acquisition. The carrying amount of Tai Er Catering's net assets on the date of the acquisition was RMB451,400,000. The Group recognised a decrease in non-controlling interests of RMB13,542,000 and a decrease in retained earnings of RMB286,458,000.

(d) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2022	2021
	RMB'000	RMB'000
Final dividend proposed after the end of the year of HKD0.01 per ordinary share (2021: HKD0.06 per ordinary share)	12,795	70,968

Final dividend proposed after the end of the year have not been recognised as liabilities as at the end of the year.

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend in respect of the previous financial year of HKD0.06 per ordinary share (2021: HKD0.02)	70,968	24,367
No special dividend in respect of the previous financial year per ordinary share (2021: HKD0.02)	<u>—</u>	<u>24,367</u>
	<u>70,968</u>	<u>48,734</u>

Dividends of RMB39,600,000 was declared by Tai Er Catering to their non-controlling interest holders during the year. Dividend of RMB12,000,000 were paid during the year and unpaid dividends of RMB27,600,000 were accrued and presented in “Trade and other payables” as at 31 December 2022.

(e) Distributability of reserves

As at 31 December 2022, the aggregate amount of distributable reserves of the Company, calculated in accordance with the Companies Act of the Cayman Islands, amounted to RMB2,758,767,000 (2021: RMB2,640,634,000).

(f) Capital management

The Group’s primary objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group’s overall strategy remains unchanged throughout the years ended 31 December 2022 and 2021. The Group monitors its capital structure with reference to its debt position. The Group’s strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group’s debt to asset ratio, being the Group’s total liabilities over its total assets, as at 31 December 2022 was 40.8% (31 December 2021: 38.9%).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

12 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 11(d).

13 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at the date of this report, the Directors consider the immediate parent of the Group to be GYH J Limited, which is incorporated in the BVI, and the ultimate controlling party of the Company to be Mr. Guan.

14 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING YEAR BEGINNING ON OR AFTER 31 DECEMBER 2022

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	<i>Effective for accounting periods beginning on or after</i>
IFRS 17, <i>Insurance contracts</i>	1 January 2023
Amendments to IAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current</i>	1 January 2023
Amendments to IAS 1, <i>Presentation of financial statements</i> and IFRS Practice Statement 2, <i>Making materiality judgements: Disclosure of accounting policies</i>	1 January 2023
Amendments to IAS 8, <i>Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates</i>	1 January 2023
Amendments to IAS 12, <i>Income taxes: Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended December 31, 2022 and up to the date of this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all shareholders. The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules.

The Board is of the view that the Company has complied with all the code provisions as set out in the CG Code during the year ended December 31, 2022, except for the deviation from code provision C.2.1 as explained below.

Mr. Guan is our Chairman of the Board and Chief Executive Officer. Since the founding of our Group in 2005, Mr. Guan has been responsible for formulating our overall business development strategies and leading our overall operations, and therefore has been instrumental to our growth and business expansion. Mr. Guan's vision and leadership have played a pivotal role in our Group's success and achievements to date, and therefore our Board considers that vesting the roles of Chairman and Chief Executive Officer in the same person is beneficial to the management of our Group. While this will constitute a deviation from code provision C.2.1 of the CG Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our directors; (ii) Mr. Guan and the other directors are aware of and undertake to fulfill their fiduciary duties as directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Company accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Company are made collectively after thorough discussion at both Board and senior management levels.

The Board will continue to review the effectiveness of the corporate governance structure of the Company in order to assess whether separation of the roles of Chairman of the Board and Chief Executive Officer is necessary.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the Group’s code of conduct regarding the Directors’ securities transactions. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the Model Code during the year ended December 31, 2022.

The Board has also established written guidelines on terms no less exacting than the Model Code (the “**Guidelines**”) for securities transactions by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision C.1.3 of the CG Code. No incident of non-compliance with the Guidelines by the Company’s relevant employees has been noted during the year ended December 31, 2022 after making reasonable enquiry.

Audit Committee and Review of Financial Statements

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the CG Code. As of the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. Deng Tao (Chairman), Ms. Tang Zhihui and Ms. Zhu Rui (with Mr. Deng Tao possessing the appropriate professional qualifications and accounting and related financial management expertise). The main duties of the Audit Committee are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the financial information of the Group, as well as the efficiency and effectiveness of the Group’s operations and internal controls.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2022. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the Company’s auditor, KPMG, Certified Public Accountants (the “**Auditor**”). Based on this review and discussions with the management and the Auditor, the Audit Committee was satisfied that the Group’s audited consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the year ended December 31, 2022.

Scope of Work of KPMG

The financial figures in respect of the Group’s consolidated statement of financial position as at December 31, 2022, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2022 as set out in the preliminary announcement have been compared by the Auditor, to the amounts set out in the Group’s audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor.

Publication of Annual Results Announcement and Annual Report

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.jiumaojiu.com). The annual report of the Company for the year ended December 31, 2022 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the same websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the shareholders, suppliers and customers of the Company for their continued support and trust. The Board would also like to thank all the employees and management team for executing the Group's strategies with professionalism, integrity and dedication.

By order of the Board
Jiumaojiu International Holdings Limited
Guan Yihong
Chairman

Hong Kong, March 21, 2023

As at the date of this announcement, the Board comprises Mr. Guan Yihong as chairman and executive Director and Mr. Li Zhuoguang, Ms. Cui Longyu and Mr. He Chengxiao as executive Directors, and Mr. Deng Tao, Ms. Tang Zhihui and Ms. Zhu Rui as independent non-executive Directors.